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ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2009

OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

NAIC Group Code 00380 (Current Period), 00380 (Prior Period) NAIC Company Code 96202 Employer's ID Number 52-1358219

Organized under the Laws of District of Columbia, State of Domicile or Port of Entry District of Columbia

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [X]
Other [ ] Is HMO, Federally Qualified? Yes [ ] No [X]

Incorporated/Organized 06/22/1984 Commenced Business 03/01/1985

Statutory Home Office 840 First Street, NE (Street and Number), Washington, DC 20065 (City, State and Zip Code)

Main Administrative Office 10455 Mill Run Circle (Street and Number)
Owings Mills, MD 21117 (City, State and Zip Code) 410-581-3000 (Area Code) (Telephone Number)

Mail Address 10455 Mill Run Circle (Street and Number or P.O. Box), Owings Mills, MD 21117 (City, State and Zip Code)

Primary Location of Books and Records 10455 Mill Run Circle (Street and Number)
Owings Mills, MD 21117 (City, State and Zip Code), 410-998-7011 (Area Code) (Telephone Number) (Extension)

Internet Web Site Address www.carefirst.com

Statutory Statement Contact William Vincent Stack (Name), 410-998-7011 (Area Code) (Telephone Number) (Extension)
bill.stack@carefirst.com (E-Mail Address) 410-998-6850 (Fax Number)

OFFICERS

Name	Title	Name	Title
Jon Paul Shematek M.D.	President	Lisa Marlene Myers	Secretary
Jeanne Ann Kennedy	Treasurer	Joseph Petralia	Assistant Secretary

OTHER OFFICERS

David Donald Wolf	EVP, Medical Systems	Gregory Allen Devou	EVP, Chief Mktg Officer
Sharon Jean Vecchioni	EVP, Chief of Staff	Gregory Mark Chaney	EVP, CFO
Gwendolyn Denise Skillern	SVP, General Auditor	Michael John Felber	SVP, Sales
Maria Harris Tildon	SVP, Public Policy	Rita Ann Costello	SVP, Strategic Marketing
Fred Adrian Walton Plumb #	SVP, ASU-FEP	Kenny Waitem Kan	SVP, Chief Actuary
Dennis Allen Cupido	SVP, ASU-Large Groups	Alok Gupta	SVP, CIO
Michael Bruce Edwards	SVP, Networks Mgmt	Kevin Charles O'Neill #	SVP, Strategic Managed Care Initiatives
Andrew Francis Sullivan #	SVP, ASU-Consumer Direct	Glen Rothman	SVP, Shared Services
Steven Jon Margolis #	SVP, ASU-Small & Medium Groups		

DIRECTORS OR TRUSTEES

Jon Paul Shematek M.D.	David Donald Wolf	Gregory Mark Chaney	Gregory Allen Devou
John Anthony Picciotto			

State of ....
County of .... ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices* and *Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Jon Paul Shematek M.D. President	Lisa Marlene Myers Secretary	Jeanne Ann Kennedy Treasurer

Subscribed and sworn to before me this ______ day of ______,

a. Is this an original filing? Yes [X] No [ ]
b. If no:
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	448,163,754		448,163,754	374,339,162
2. Stocks (Schedule D):				
2.1 Preferred stocks	2,834,916		2,834,916	3,254,294
2.2 Common stocks	40,687,863		40,687,863	64,923,424
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ encumbrances)			0	0
4.2 Properties held for the production of income (less $ encumbrances)			0	0
4.3 Properties held for sale (less $ encumbrances)			0	0
5. Cash ($ (5,112,696) , Schedule E-Part 1), cash equivalents ($ 0 , Schedule E-Part 2) and short-term investments ($ 77,927,293 , Schedule DA)	72,814,598		72,814,598	79,163,650
6. Contract loans (including $ premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	1,000,000	0	1,000,000	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	565,501,131	0	565,501,131	521,680,530
11. Title plants less $ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	4,297,669		4,297,669	3,190,070
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	55,746,215	3,410,344	52,335,871	38,958,676
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premium)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts	844,106		844,106	869,959
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	736,361
16.2 Net deferred tax asset	12,350,385	5,293,023	7,057,362	5,236,815
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets ($)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	18,789,475		18,789,475	12,037,937
22. Health care ($ 49,125,099) and other amounts receivable	60,719,874	1,606,448	59,113,426	60,603,694
23. Aggregate write-ins for other than invested assets	2,200,549	914,592	1,285,957	2,194,413
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	720,449,404	11,224,407	709,224,997	645,508,455
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	720,449,404	11,224,407	709,224,997	645,508,455
DETAILS OF WRITE-INS				
0901. Receivable relating to sale of Howard County MRI	1,000,000		1,000,000	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	1,000,000	0	1,000,000	0
2301. State Tax Recoverable	1,285,957		1,285,957	2,194,413
2302. Other Assets Not Admitted-Prepaid Expenses	914,592	914,592	0	0
2303.			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,200,549	914,592	1,285,957	2,194,413

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $ .... reinsurance ceded)	128,185,003	7,473,893	135,658,896	149,221,780
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	4,759,495	277,505	5,037,000	5,482,000
4. Aggregate health policy reserves	9,986,054		9,986,054	12,623,584
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	41,298,508		41,298,508	46,867,503
9. General expenses due or accrued	30,275,453		30,275,453	23,316,789
10.1 Current federal and foreign income tax payable and interest thereon (including $ .... on realized capital gains (losses))	2,532,718		2,532,718	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	37,922		37,922	34,877
13. Remittances and items not allocated			0	0
14. Borrowed money (including $ .... current) and interest thereon $ .... (including $ .... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	12,441,732		12,441,732	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties (with $ .... authorized reinsurers and $ .... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including $ 263,149 current)	1,220,244	0	1,220,244	1,286,539
22 Total liabilities (Lines 1 to 21)	230,737,129	7,751,398	238,488,527	238,833,072
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25 Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	420,110,720	356,049,633
30. Less treasury stock, at cost:				
30.1 .... shares common (value included in Line 24 $ ....)	XXX	XXX		0
30.2 .... shares preferred (value included in Line 25 $ ....)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	470,736,470	406,675,383
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	709,224,997	645,508,455
DETAILS OF WRITE-INS				
2101. Reinsurance Payable	263,149		263,149	634,464
2102. Amounts held for escheatment to state	957,095		957,095	652,075
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	1,220,244	0	1,220,244	1,286,539
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member Months	XXX	6,452,603	6,999,903
2. Net premium income (including $ non-health premium income)	XXX	1,874,053,739	1,743,313,552
3. Change in unearned premium reserves and reserve for rate credits	XXX	2,637,530	2,999,388
4. Fee-for-service (net of $ medical expenses)	XXX		0
5. Risk revenue	XXX		102,827
6. Aggregate write-ins for other health care related revenues	XXX	63,605	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,876,754,874	1,746,415,767
Hospital and Medical:			
9. Hospital/medical benefits	56,712,952	1,137,112,410	1,093,734,284
10. Other professional services		21,303,923	27,194,897
11. Outside referrals	8,875,246	8,875,246	10,248,980
12. Emergency room and out-of-area	17,725,167	90,853,077	85,097,662
13. Prescription drugs		254,079,199	241,417,493
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			0
16. Subtotal (Lines 9 to 15)	83,313,365	1,512,223,855	1,457,693,316
Less:			
17. Net reinsurance recoveries		(6,081,087)	(4,776,439)
18. Total hospital and medical (Lines 16 minus 17)	83,313,365	1,518,304,942	1,462,469,755
19. Non-health claims (net)			0
20. Claims adjustment expenses, including $ 16,896,154 cost containment expenses		65,806,617	54,772,752
21. General administrative expenses		267,012,449	222,550,634
22. Increase in reserves for life and accident and health contracts (including $ increase in reserves for life only)		0	0
23. Total underwriting deductions (Lines 18 through 22)	83,313,365	1,851,124,008	1,739,793,141
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	25,630,866	6,622,626
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		21,843,941	24,834,203
26. Net realized capital gains (losses) less capital gains tax of $ 1,966,492		7,865,967	(13,332,325)
27. Net investment gains (losses) (Lines 25 plus 26)	0	29,709,908	11,501,878
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $) (amount charged off $)]			0
29. Aggregate write-ins for other income or expenses	0	1,257,243	(940,277)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	56,598,017	17,184,227
31. Federal and foreign income taxes incurred	XXX	8,186,799	(2,128,333)
32. Net income (loss) (Lines 30 minus 31)	XXX	48,411,218	19,312,560
DETAILS OF WRITE-INS			
0601. Other Revenue	XXX	63,605	
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	63,605	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Legal fees/credits			0
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income/Expense		1,257,243	(940,277)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	1,257,243	(940,277)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL & SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	406,675,383	399,421,305
34.	Net income or (loss) from Line 32	48,411,218	19,312,560
35.	Change in valuation basis of aggregate policy and claim reserves		0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $ 3,508,813	7,074,075	(8,824,431)
37.	Change in net unrealized foreign exchange capital gain or (loss)		(224,422)
38.	Change in net deferred income tax	3,166,728	5,917,087
39.	Change in nonadmitted assets	3,924,924	(8,960,817)
40.	Change in unauthorized reinsurance	0	0
41.	Change in treasury stock	0	0
42.	Change in surplus notes	0	0
43.	Cumulative effect of changes in accounting principles	308,708	0
44.	Capital Changes:		
	44.1 Paid in	0	0
	44.2 Transferred from surplus (Stock Dividend)		0
	44.3 Transferred to surplus		0
45.	Surplus adjustments:		
	45.1 Paid in	0	0
	45.2 Transferred to capital (Stock Dividend)	0	0
	45.3 Transferred from capital		0
46.	Dividends to stockholders		0
47.	Aggregate write-ins for gains or (losses) in surplus	1,175,434	34,101
48.	Net change in capital & surplus (Lines 34 to 47)	64,061,087	7,254,078
49.	Capital and surplus end of reporting period (Line 33 plus 48)	470,736,470	406,675,383
DETAILS OF WRITE-INS			
4701.	Other Adjustments		34,101
4702.	Correction Of Accounting Error	1,175,434	
4703.			0
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
4799.	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	1,175,434	34,101

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	1,859,030,000	1,744,411,000
2.	Net investment income	20,275,000	25,883,000
3.	Miscellaneous income		103,000
4.	Total (Lines 1 through 3)	1,879,305,000	1,770,397,000
5.	Benefit and loss related payments	1,531,554,000	1,443,406,000
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
7.	Commissions, expenses paid and aggregate write-ins for deductions	325,048,159	281,840,000
8.	Dividends paid to policyholders		0
9.	Federal and foreign income taxes paid (recovered) net of $ 1,966,492 tax on capital gains (losses)	6,884,000	(489,000)
10.	Total (Lines 5 through 9)	1,863,486,159	1,724,757,000
11.	Net cash from operations (Line 4 minus Line 10)	15,818,841	45,640,000
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	617,181,172	821,045,000
	12.2 Stocks	79,875,000	36,088,000
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets		0
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
	12.7 Miscellaneous proceeds		0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	697,056,172	857,133,000
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	687,720,938	801,293,000
	13.2 Stocks	38,203,826	72,323,000
	13.3 Mortgage loans	0	0
	13.4 Real estate	0	0
	13.5 Other invested assets	0	0
	13.6 Miscellaneous applications		0
	13.7 Total investments acquired (Lines 13.1 to 13.6)	725,924,764	873,616,000
14.	Net increase (decrease) in contract loans and premium notes	0	0
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(28,868,592)	(16,483,000)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes	0	0
	16.2 Capital and paid in surplus, less treasury stock	0	0
	16.3 Borrowed funds	0	0
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
	16.5 Dividends to stockholders	0	0
	16.6 Other cash provided (applied)	6,700,699	(2,879,629)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	6,700,699	(2,879,629)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Line 15 plus Line 17)	(6,349,052)	26,277,371
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	79,163,650	52,886,279
	19.2 End of year (Line 18 plus Line 19.1)	72,814,598	79,163,650

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	1,874,053,739	1,744,899,681	0	18,940,622	0	110,213,436	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	2,637,531					2,637,531				
3. Fee-for-service (net of $ .... medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	63,605	0	0	63,605	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,876,754,875	1,744,899,681	0	19,004,227	0	112,850,967	0	0	0	0
8. Hospital/medical benefits	1,137,112,411	1,055,862,904				81,249,507				XXX
9. Other professional services	21,303,924	13,530,315		6,732,440		1,041,169				XXX
10. Outside referrals	8,875,245	8,241,087				634,158				XXX
11. Emergency room and out-of-area	90,853,077	84,361,399				6,491,678				XXX
12. Prescription drugs	254,079,199	235,924,609				18,154,590				XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	1,512,223,856	1,397,920,314	0	6,732,440	0	107,571,102	0	0	0	XXX
16. Net reinsurance recoveries	(6,081,087)			(6,081,087)						XXX
17. Total hospital and medical (Lines 15 minus 16)	1,518,304,943	1,397,920,314	0	12,813,527	0	107,571,102	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ .... cost containment expenses	65,806,615	60,796,508		2,366,586		2,635,583			7,938	
20. General administrative expenses	267,012,451	262,766,705		1,946,191		2,267,347			32,208	
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,851,124,009	1,721,483,527	0	17,126,304	0	112,474,032	0	0	40,146	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	25,630,866	23,416,154	0	1,877,923	0	376,935	0	0	(40,146)	0
DETAILS OF WRITE-INS										
0501. Other Revenue	63,605			63,605						XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	63,605	0	0	63,605	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,744,924,681		25,000	1,744,899,681
2. Medicare Supplement				0
3. Dental Only	9,523,685	9,416,937		18,940,622
4. Vision Only				0
5. Federal Employees Health Benefits Plan	110,213,436			110,213,436
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid				0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	1,864,661,802	9,416,937	25,000	1,874,053,739
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	1,864,661,802	9,416,937	25,000	1,874,053,739

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	1,535,819,179	1,425,172,641		6,665,436		103,981,102				
1.2 Reinsurance assumed	5,879,107			5,879,107						
1.3 Reinsurance ceded	0									
1.4 Net	1,541,698,286	1,425,172,641	0	12,544,543	0	103,981,102	0	0	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	135,221,941	122,881,631	0	500,310	0	11,840,000	0	0	0	0
3.3 Reinsurance assumed	436,955	0	0	436,955	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	135,658,896	122,881,631	0	937,265	0	11,840,000	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	9,830,460	9,830,460								
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	148,986,805	140,303,499	0	433,306	0	8,250,000	0	0	0	0
8.2 Reinsurance assumed	234,975	0	0	234,975	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	149,221,780	140,303,499	0	668,281	0	8,250,000	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	1,512,223,855	1,397,920,313	0	6,732,440	0	107,571,102	0	0	0	0
12.2 Reinsurance assumed	6,081,087	0	0	6,081,087	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,518,304,942	1,397,920,313	0	12,813,527	0	107,571,102	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ .... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	12,857,196	11,683,852		47,571		1,125,773				
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	12,857,196	11,683,852	0	47,571	0	1,125,773	0	0	0	0
2. Incurred but Unreported:										
2.1. Direct	122,364,745	111,197,779		452,739		10,714,227				
2.2. Reinsurance assumed	436,955			436,955						
2.3. Reinsurance ceded	0									
2.4. Net	122,801,700	111,197,779	0	889,694	0	10,714,227	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0									
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	135,221,941	122,881,631	0	500,310	0	11,840,000	0	0	0	0
4.2. Reinsurance assumed	436,955	0	0	436,955	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	135,658,896	122,881,631	0	937,265	0	11,840,000	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5	6
	1	2	3	4		
Line of Business	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	116,938,266	1,308,234,376	2,085,049	120,796,582	119,023,315	140,303,499
2. Medicare Supplement					0	0
3. Dental Only	779,060	11,765,483	1,681	935,584	780,741	668,281
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan	8,420,367	95,560,735	96,554	11,743,446	8,516,921	8,250,000
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	126,137,693	1,415,560,594	2,183,284	133,475,612	128,320,977	149,221,780
10. Healthcare receivables (a)		9,830,460			0	
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9-10+11+12)	126,137,693	1,405,730,134	2,183,284	133,475,612	128,320,977	149,221,780

(a) Excludes $ .... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	1,943,351	1,943,883	1,944,118	1,944,216	1,944,307
2. 2005	914,623	1,016,561	1,017,997	1,018,981	1,019,261
3. 2006	XXX	969,395	1,059,988	1,062,707	1,062,928
4. 2007	XXX	XXX	1,094,900	1,202,400	1,203,959
5. 2008	XXX	XXX	XXX	1,239,408	1,354,196
6. 2009	XXX	XXX	XXX	XXX	1,298,404

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	1,943,972	1,943,883	1,944,118	1,944,216	1,944,307
2. 2005	1,029,827	1,017,938	1,017,997	1,018,981	1,019,261
3. 2006	XXX	1,082,953	1,060,943	1,062,707	1,062,928
4. 2007	XXX	XXX	1,211,561	1,205,513	1,203,959
5. 2008	XXX	XXX	XXX	1,239,408	1,356,281
6. 2009	XXX	XXX	XXX	XXX	1,419,200

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	1,246,442	1,019,261	35,932	3.5	1,055,193	84.6	0	0	1,055,193	84.6
2. 2006	1,349,816	1,062,928	34,782	3.2	1,097,710	81.3	0	0	1,097,710	81.3
3. 2007	1,508,042	1,203,959	44,997	3.7	1,248,956	82.8	0	0	1,248,956	82.8
4. 2008	1,649,178	1,354,196	51,532	3.8	1,405,728	85.2	2,085	77	1,407,890	85.3
5. 2009	1,744,900	1,298,404	51,143	3.9	1,349,547	77.3	120,797	4,579	1,474,923	84.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Dental Only

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	5	5	5	5
2. 2005	0	534	538	573	573
3. 2006	XXX	7,094	7,763	7,800	7,800
4. 2007	XXX	XXX	15,049	15,683	15,684
5. 2008	XXX	XXX	XXX	13,397	14,175
6. 2009	XXX	XXX	XXX	XXX	11,765

Section B – Incurred Health Claims - Dental Only

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
Year in Which Losses Were Incurred	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	5	5	5	5
2. 2005	0	536	538	573	573
3. 2006	XXX	7,642	7,766	7,800	7,800
4. 2007	XXX	XXX	15,800	15,683	15,684
5. 2008	XXX	XXX	XXX	14,065	14,177
6. 2009	XXX	XXX	XXX	XXX	12,701

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	0	573	19	3.3	592	0.0	0	0	592	0.0
2. 2006	10,720	7,800	255	3.2	8,055	75.1	0	0	8,055	75.1
3. 2007	22,521	15,684	586	3.7	16,270	72.2	0	0	16,270	72.2
4. 2008	21,199	14,175	539	3.8	14,714	69.4	2	0	14,716	69.4
5. 2009	18,941	11,765	1,991	16.9	13,756	72.6	936	178	14,870	78.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	138,118	138,061	138,084	138,081	138,075
2. 2005	33,326	36,347	36,383	36,417	36,416
3. 2006	XXX	37,589	41,533	41,667	41,693
4. 2007	XXX	XXX	49,355	54,344	54,401
5. 2008	XXX	XXX	XXX	66,566	74,909
6. 2009	XXX	XXX	XXX	XXX	95,561

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	138,138	138,062	138,085	138,081	138,075
2. 2005	36,921	36,367	36,383	36,417	36,416
3. 2006	XXX	42,029	41,561	41,667	41,693
4. 2007	XXX	XXX	54,236	54,418	54,401
5. 2008	XXX	XXX	XXX	74,742	75,005
6. 2009	XXX	XXX	XXX	XXX	107,304

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	38,784	36,416	1,284	3.5	37,700	97.2	0	0	37,700	97.2
2. 2006	43,519	41,693	1,364	3.2	43,057	98.9	0	0	43,057	98.9
3. 2007	57,154	54,401	2,033	3.7	56,434	98.7	0	0	56,434	98.7
4. 2008	78,936	74,909	2,851	3.8	77,760	98.5	97	4	77,861	98.6
5. 2009	112,851	95,561	2,217	2.3	97,778	86.6	11,743	198	109,719	97.2

Pt 2C - Sn A - Paid Claims - XV

NONE

Pt 2C - Sn A - Paid Claims - XI

NONE

Pt 2C - Sn A - Paid Claims - OT

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,081,469	2,081,949	2,082,207	2,082,302	2,082,387
2. 2005	947,949	1,053,442	1,054,918	1,055,971	1,056,250
3. 2006	XXX	1,014,078	1,109,284	1,112,174	1,112,421
4. 2007	XXX	XXX	1,159,304	1,272,427	1,274,044
5. 2008	XXX	XXX	XXX	1,319,371	1,443,280
6. 2009	XXX	XXX	XXX	XXX	1,405,730

Section B - Incurred Health Claims - Grand Total

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
Year in Which Losses Were Incurred	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,082,110	2,081,950	2,082,208	2,082,302	2,082,387
2. 2005	1,066,748	1,054,841	1,054,918	1,055,971	1,056,250
3. 2006	XXX	1,132,624	1,110,270	1,112,174	1,112,421
4. 2007	XXX	XXX	1,281,597	1,275,614	1,274,044
5. 2008	XXX	XXX	XXX	1,328,215	1,445,463
6. 2009	XXX	XXX	XXX	XXX	1,539,205

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	1,285,226	1,056,250	37,235	3.5	1,093,485	85.0	0	0	1,093,485	85.0
2. 2006	1,404,055	1,112,421	36,401	3.2	1,148,822	81.8	0	0	1,148,822	81.8
3. 2007	1,587,717	1,274,044	47,616	3.7	1,321,660	83.2	0	0	1,321,660	83.2
4. 2008	1,749,313	1,443,280	54,922	3.8	1,498,202	85.6	2,184	81	1,500,467	85.7
5. 2009	1,876,692	1,405,730	55,351	3.9	1,461,081	77.8	133,476	4,955	1,599,512	85.2

Pt 2C - Sn B - Incurred Claims - XV

NONE

Pt 2C - Sn B - Incurred Claims - XI

NONE

Pt 2C - Sn B - Incurred Claims - OT

NONE

Part 2C - Sn C - Claims Expense Ratio XV

NONE

Part 2C - Sn C - Claims Expense Ratio XI

NONE

Part 2C - Sn C - Claims Expense Ratio OT

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $) for investment income	9,986,054					9,986,054			
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	9,986,054	0	0	0	0	9,986,054	0	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	9,986,054	0	0	0	0	9,986,054	0	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (Gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administration Expenses	Investment Expenses	Total
1. Rent ($ for occupancy of own building)	1,251,713	2,913,295	4,520,545		8,685,553
2. Salaries, wages and other benefits	9,676,068	24,250,575	34,082,141		68,008,784
3. Commissions (less $ ceded plus $ assumed			130,216,154		130,216,154
4. Legal fees and expenses			1,001,343		1,001,343
5. Certifications and accreditation fees	13	883	0		896
6. Auditing, actuarial and other consulting services	43,778	239,540	1,785,209		2,068,527
7. Traveling expenses	76,634	187,834	983,023		1,247,491
8. Marketing and advertising			445,331		445,331
9. Postage, express and telephone	148,179	2,173,221	2,755,388		5,076,788
10. Printing and office supplies	247,902	1,120,837	1,619,277		2,988,016
11. Occupancy, depreciation and amortization					0
12. Equipment	7,692	35,285	549,664		592,641
13. Cost or depreciation of EDP equipment and software	701,097	3,309,648	17,290,440		21,301,185
14. Outsourced services including EDP, claims, and other services	2,231,494	6,898,873	20,314,720		29,445,087
15. Boards, bureaus and association fees	27,552	8,069	786,357		821,978
16. Insurance, except on real estate	96,834	276,484	335,582		708,900
17. Collection and bank service charges	3,786		671,419		675,205
18. Group service and administration fees					0
19. Reimbursements by uninsured plans	(2,646)	(7,661)	(41,822)		(52,129)
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes		0	115,639		115,639
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes		0	30,883,642		30,883,642
23.3 Regulatory authority licenses and fees	563	0	2,301,431		2,301,994
23.4 Payroll taxes	615,600	1,509,295	2,138,063		4,262,958
23.5 Other (excluding federal income and real estate taxes)	5,421	24,263	1,137,244		1,166,928
24. Investment expenses not included elsewhere				595,166	595,166
25. Aggregate write-ins for expenses	1,764,474	5,970,021	13,121,657	0	20,856,152
26. Total expenses incurred (Lines 1 to 25)	16,896,154	48,910,462	267,012,447	595,166	(a) 333,414,229
27. Less expenses unpaid December 31, current year		5,037,000	30,275,453		35,312,453
28. Add expenses unpaid December 31, prior year	0	5,482,000	23,316,789	0	28,798,789
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	16,896,154	49,355,462	260,053,783	595,166	326,900,565
DETAIL OF WRITE-INS					
2501. Charitable Contributions	196	147	43,749		44,092
2502. Service charges Inter-plan bank		101,775	11,718		113,493
2503. IPSBB Inter-plan bank ITS		892,656			892,656
2598. Summary of remaining write-ins for Line 25 from overflow page	1,764,278	4,975,443	13,066,190	0	19,805,911
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	1,764,474	5,970,021	13,121,657	0	20,856,152

(a) Includes management fees of $ 150,802,063 to affiliates and $ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,176,168	1,989,887
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 18,322,868	18,637,445
1.3	Bonds of affiliates	(a) 0	
2.1	Preferred stocks (unaffiliated)	(b) 323,437	317,827
2.11	Preferred stocks of affiliates	(b) 0	
2.2	Common stocks (unaffiliated)	718,543	718,544
2.21	Common stocks of affiliates	0	
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 264,739	250,052
7.	Derivative instruments	(f)	
8.	Other invested assets	625,000	524,379
9.	Aggregate write-ins for investment income	0	974
10.	Total gross investment income	21,430,755	22,439,108
11.	Investment expenses		(g) 595,166
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		595,166
17.	Net investment income (Line 10 minus Line 16)		21,843,942
DETAILS OF WRITE-INS			
0901.	Interest Income - Miscellaneous		974
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	974
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

(a) Includes $ 2,019,379 accrual of discount less $ 1,583,481 amortization of premium and less $ 3,742,901 paid for accrued interest on purchases.
(b) Includes $ 24,556 accrual of discount less $ 573 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ paid for accrued interest on purchases.
(d) Includes $ for company's occupancy of its own buildings; and excludes $ interest on encumbrances.
(e) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued interest on purchases.
(f) Includes $ accrual of discount less $ amortization of premium.
(g) Includes $ investment expenses and $ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ interest on surplus notes and $ interest on capital notes.
(i) Includes $ depreciation on real estate and $ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	1,832,231		1,832,231		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	2,197,572	(2,361,393)	(163,821)	794,710	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	1,180,586	(1,742,728)	(562,142)	1,212,347	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	7,756,351	0	7,756,351	8,018,577	0
2.21	Common stocks of affiliates	0	0	0	568,628	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	0	0	0	0	0
7.	Derivative instruments			0		
8.	Other invested assets	969,839	0	969,839	(100,621)	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	13,936,579	(4,104,122)	9,832,457	10,493,641	0
DETAILS OF WRITE-INS						
0901.				0		
0902.				0		
0903.				0		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	130,782	130,782
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	130,782	130,782
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	3,410,344	122,714	(3,287,630)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
13.3 Accrued retrospective premiums	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	5,293,023	7,749,517	2,456,494
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	0	0	0
19. Furniture and equipment, including health care delivery assets	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	1,606,448	3,068,392	1,461,944
23. Aggregate write-ins for other than invested assets	914,592	1,078,538	163,946
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	11,224,407	12,149,943	925,536
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	11,224,407	12,149,943	925,536
DETAILS OF WRITE-INS			
0901.			0
0902.			0
0903.			0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0
2301. Other Assets Not Admitted - Prepaid Expenses		1,078,538	1,078,538
2302.	914,592	0	(914,592)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	914,592	1,078,538	163,946

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health Maintenance Organizations	409,767	415,611	420,216	405,248	409,272	4,929,600
2. Provider Service Organizations	0					
3. Preferred Provider Organizations	421	55	87	127	144	1,388
4. Point of Service	131,264	129,225	126,848	124,654	123,563	1,519,988
5. Indemnity Only	49	61	185	196	202	1,627
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	541,501	544,952	547,336	530,225	533,181	6,452,603
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of CareFirst BlueChoice, Inc. (the Company) are presented on the basis of accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia. The Company does not utilize any permitted practices.

There were no differences between the DISB prescribed or permitted practices and the National Association of Insurance Commissioners accounting practices in 2009 and 2008.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from those amounts provided in the accompanying statutory basis financial statements.

C. Accounting Policy

Fair Value of Financial Instruments

The carrying of cash and short-term investments, stocks (other than investments in subsidiaries), uncollected premiums, federal income tax recoverable, receivables from parent, subsidiaries and affiliates, health care and other amounts receivable, other assets, aggregate health policy reserves, premiums received in advance, general expenses due or accrued, federal income tax payable, amounts due to parent, subsidiaries and affiliates, and other liabilities approximate fair value.

Investments

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at market value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to Unassigned Funds (Surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically performs evaluations, on a lot-by-lot and security-by-security basis, of its investment holdings in accordance with its impairment policy to evaluate whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. As discussed in more detail below, prior to July 1, 2009, these reviews were conducted pursuant to the applicable SSAPs. Any unrealized loss identified as other than temporary was recorded directly in the investment income, net. As of July 1, 2009, the Company adopted SSAP No. 43R *Loan-backed and Structured Securities* (SSAP No. 43R) a replacement to SSAP No. 43 *Loan-backed and Structured Securities* and SSAP No. 98 *Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments,* an Amendment of SSAP No. 43 *Loan-backed and Structured Securities*. Accordingly, any non-interest related impairment related to mortgage-backed and asset-backed securities that the Company does not intend to sell and has the intent and ability to retain until recovery is recognized in investment income, net, with the interest related impairment recognized in capital and surplus.

For equity securities and non mortgage-backed/asset-backed securities, there was no change in the impairment methodology. The Company considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to cost. Where the Company lacks the intent or ability, the security's decline in fair value is deemed to be other than temporary and the entire difference between fair value and cost is recognized in investment income, net.

For mortgage-backed and asset-backed securities, that are not deemed to have non-interest related declines, the Company performs additional analysis to assess whether it intends to sell or it has the intent and ability to retain the investment before the expected recovery of the amortized cost basis. The Company has asserted that it has no intent to sell and that it believes it has the intent and ability to retain the investment before recovery of its amortized cost basis. If such an assertion had not been made, the security's decline in fair value is deemed to be other than temporary and the entire difference between fair value and amortized cost is recognized in investment income, net.

For mortgage-backed and asset-backed securities, a critical component of the evaluation for other than temporary impairment (OTTI) is the identification of securities that have non-interest related declines, where the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. The difference between the present value of projected future cash flows expected to be collected and the amortized cost basis is recognized as non-interest related OTTI in investment income, net. If fair value is less than the present value of projected future cash flows expected to be collected, the interest related OTTI is recorded in capital and surplus.

In order to determine the amount of non-interest related loss for a mortgage-backed and asset-backed securities, the Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows

NOTES TO FINANCIAL STATEMENTS

expected to be received. The discount rate is generally the effective interest rate of the mortgage-backed or asset-backed security prior to impairment.

When determining the collectability and the period over which the mortgage-backed and asset-backed securities are expected to recover, the Company considers the same factors utilized in its overall impairment evaluation process described above. Additional considerations are made when assessing the unique features that apply to certain structured securities such as residential mortgage-backed, commercial mortgage-backed and asset-backed securities. These additional factors include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of payment terms of underlying assets backing a particular security; and the payment priority within the tranche structure of the security.

Based on its evaluation, the Company has recorded an OTTI of investments of $4,104,000 and $25,121,000 for the years ended December 31, 2009 and 2008, respectively.

The Company believes that it has adequately reviewed its investment securities for impairment and that its investment securities are carried at fair value. However, over time, the economic and market environment may provide additional insight regarding the fair value of certain securities, which could change management's judgment regarding impairment. This could result in realized losses relating to other than temporary declines being charged against future income. Given the current market conditions and the judgments involved, there is a continuing risk that further declines in fair value may occur and additional material other than temporary impairments may be recorded in future periods.

Cash and Short-Term Investments

Cash and short-term investments consists of cash balances and short-term, highly liquid investments with remaining maturities of one year or less at the time of acquisition. Short-term investments are principally stated at amortized cost. In accordance with the Company's cash management policy of maximizing the amount of funds invested in income-earning assets, the Company routinely anticipates the timing and amount of future cash flows. This policy frequently results in the existence of negative book cash balances.

Bonds

Bonds consist primarily of U.S. Treasury and agency securities, state and municipal securities, foreign governments securities (U.S. dollar-denominated), corporate bonds, mortgage-backed securities, asset-backed securities and convertible bonds.

Bonds not backed by other loans are carried at amortized cost, except in cases where NAIC designation requires them to be carried at the lower of cost or fair value. Fair values for bonds are based on quoted market prices for the same or similar investments. The Company's policy is to recognize any realized gains or losses on a specific-identification basis. Changes in admitted asset carrying amounts of bonds, aside from OTTI, are charged directly to capital and surplus.

Mortgage-backed securities that are included within bonds are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from external sources and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities

Stocks

Investments in common stock, primarily in publicly traded index funds are carried at fair value. The fair values for common stocks are based on quoted market prices. The Company's policy is to recognize any realized gains or losses on a specific-identification basis. Changes in admitted asset carrying amounts of stocks, aside from OTTI, are charged directly to capital and surplus.

Stocks also include the Company's investments in wholly owned subsidiaries. The Company's subsidiaries are carried at their underlying audited statutory equity. Changes in unrealized gains and losses are charged directly to surplus.

Redeemable preferred stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. Perpetual preferred stocks are valued using unit prices as reported in NAIC Valuations of Securities Manual except in cases where NAIC designation requires them to be carried at lower of cost or fair value.

Investment Dispositions

A primary objective in the management of the fixed maturity and equity portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities as well as tax considerations. Sales will generally produce realized gains and losses. In the ordinary course of business, the Company may sell securities for a number of reasons, including, but not limited to: (i) changes to the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; and (v) changes in expected cash flow. For purpose of computing realized gains and losses, the specific-identification method of determining cost was used.

NOTES TO FINANCIAL STATEMENTS

Risk Concentrations

Financial instruments that potentially subject the Company to credit risk consist primarily of investments in bonds, uncollected premiums, amounts receivable related to uninsured accident and health plans and miscellaneous accounts receivable. The Company's investments are primarily comprised of investment grade securities as rated by the NAIC. The Company receives advice through or assigns direct management of investments to professional investment managers selected for their expertise in various markets, within guidelines established by the Board of Directors. These guidelines include broad diversification of investments. Aside from the Federal Employee Health Benefits Program (FEHBP) discussed below, concentrations of credit risk and business volume with respect to commercial uncollected premiums and other amounts receivable are generally limited due to the large number of employer groups comprising the Company's customer base. The Company performs ongoing credit evaluations of customers and generally does not require collateral.

Health Care and Other Amounts Receivable

Health care and other amounts receivable consists of pharmacy rebates receivable, advances to providers, and the Company's special reserve held by OPM discussed below. The Company has advances on deposit with certain hospitals in the State of Maryland. These advances permit the Company to earn differentials of 2.25 and 2.00 percent of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value in the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis.

Unpaid losses and loss adjustment expenses

The liability for unpaid claims and claim adjustment expenses includes medical claims payable and the related accrued claims processing expenses. Unpaid claims are computed in accordance with generally accepted actuarial practices and are based upon authorized health care services and past claims payment experience, together with other current factors which, in management's judgment, require recognition in the calculation.

Each reporting period, the Company estimates its liability for medical care services that have been rendered on behalf of insured members but for which claims have either not been received or processed. The Company develops its estimates for medical care services incurred but not reported using an actuarial process that is consistently applied. The actuarial models consider factors such as time from the dates of service to claims receipt, claims backlogs, seasonal variances in medical care consumption, provider rate changes, medical care utilization and other medical cost trends, membership volume and demographics and other factors. Depending on the health care provider and type of service, the typical billing lag for services can vary significantly. Substantially all claims related to medical care services are known and settled within nine to twelve months from the date of service.

The Company regularly re-examines its previously established unpaid claims estimates based on actual claim submissions and other changes in facts and circumstances. As the liability estimates recorded in prior periods become more exact, the Company increases or decreases the amounts of the estimates and includes the changes in estimates in claims incurred in the period in which the changes are identified. Due to the uncertainties inherent in the claims estimation process, it is at least reasonably possible that the actual claims paid could differ materially from the amounts accrued in the accompanying balance sheets—statutory basis.

Revenue recognition

Premiums are recognized as earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage.

Uncollected premiums primarily represent unpaid amounts earned from employer groups and individuals for health benefits. Provision is made for potential adjustments which arise as a result of a review by management or a third party.

Certain claim payments, premium rates, administrative expense reimbursements and provider discounts are subject to review and potential retroactive adjustment by third parties. Reserves are established for potential obligations arising from such reviews. Management believes that any potential claims will not be materially different from the amounts recorded in the accompanying statutory basis financial statements.

Claims Incurred

Physician and institutional services are provided by medical providers to whom the Company pays fees based upon fee schedules. Claims incurred are recognized in the period in which members receive medical services. In addition to actual benefits paid, claims incurred include the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet date.

Federal Employee Health Benefits Program

The Company has an experience-rated HMO contract with the Office of Personnel Management (OPM) to provide managed health care services under the Federal Employee Health Benefits Program (FEHBP). OPM conducts periodic audits to verify compliance with FEHBP requirements.

The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is considered the special reserve under the contract between OPM and the Company. Each year, OPM also allocates additional funds to a contingency reserve, which may be utilized by the Company in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels. OPM funds available to the Company are held at the U.S. Treasury, including amounts unused from prior periods. Any funds which remain unused upon termination of the contract, after the claims run-out and reimbursement of allowable administrative expenses, would be returned to OPM for the benefit of the FEHBP. The OPM contract renews automatically each year unless written notice of termination is given by either party.

NOTES TO FINANCIAL STATEMENTS

In accordance with the contract, OPM holds the unused funds on behalf of the Company to provide funding for claims, administrative expenses, and other charges to the contract. The Company has an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. The amounts being held in the special reserve are $9,986,000 and $12,624,000 as of December 31, 2009 and 2008, respectively. The unaudited amounts being held in the contingency reserve are $26,492,000 and $26,067,000 as of December 31, 2009 and 2008, respectively. If the balance of the special reserve is exhausted or falls below certain prescribed levels, OPM will transfer funds from the contingency reserve to the special reserve. Amounts incurred in excess of the total reserves held at the U.S Treasury for the FEBHP would not be reimbursed to the company.

The Company has recorded the amount of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve which are included in other health care and other amounts receivable and aggregate health policy reserves, respectively, in the accompanying balance sheets- statutory basis.

FEHBP premiums earned were $112,593,000 and $78,936,00 for the years ended December 31, 2009 and 2008, respectively.

2. Accounting Changes and Corrections of Errors

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC statutory accounting practices are reported as changes in accounting principles. The cumulative effect of any changes is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the period adopted and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

In September 2009, the NAIC issued SSAP No. 43R Loan-backed and Structured Securities (SSAP No. 43R) a replacement to SSAP No. 43 Loan-backed and Structured Securities and SSAP No. 98 Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43 Loan-backed and Structured Securities. SSAP No. 43R provides that for loan-backed and structured securities for which (i) fair value is less than cost, (ii) the company does not intend to sell the securities, and (iii) the company has the intent and ability to retain the securities until recovery, the company should determine if there is a non-interest related impairment by comparing the present value of the cash flows expected to be collected to the amortized cost basis. If the cash flows expected to be collected is less than amortized cost, the security is impaired, and the difference is recorded as a realized loss in net income. The new cost basis of the security is the previous amortized cost basis, less the non-interest impairment recognized in net income.

If the fair value is less than amortized cost, and the company (i) has the intent to sell the security, or (ii) does not have the intent and ability to retain the security until recovery of its carrying value, the security is written down to fair value with the associated realized loss reported in net income. The amount of the OTTI recognized is the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. The fair value at the time of the impairment becomes the security's new cost basis.

The Company adopted SSAP No. 43R effective July 1, 2009 and recorded an increase to surplus of $309,000, net of taxes, as of July, 1, 2009.

In December 2009, the NAIC issued SSAP No. 10R Income Taxes – Revised, A Temporary Replacement of SSAP No. 10 (SSAP 10R). SSAP 10R requires a valuation allowance against gross deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. Upon adoption of SSAP 10R, the Company determined that its deferred tax assets related to alternative minimum tax (AMT) credits would require a valuation allowance. As such, the Company has reduced their gross deferred tax assets (refer to Note 9 Income Taxes for additional information). Additionally, SSAP 10R allows for an election available to companies that meet certain Risk-Based-Capital levels to admit an increased amount of deferred tax assets in accordance with paragraph 10e. The Company has not made this election.

Correction of Error

During the second quarter of 2009, the Company corrected its accounting policy regarding nonadmitted assets and the recording of an accounts receivable allowance for doubtful accounts on a statutory accounting basis. In prior years, the Company maintained an accounts receivable allowance for doubtful accounts on a statutory accounting basis. The Company no longer maintains an allowance for doubtful accounts and nonadmits receivables according to the various NAIC SAPs. As a result of the correction noted above, the Company recorded an increase of $1,175,000 directly to surplus. This adjustment was comprised of reversing the allowance for doubtful accounts of $4,469,000 as of December 31, 2008, recording additional nonadmitted assets of $2,999,000 and decreasing the gross and net admitted deferred tax assets of $294,000.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations:

Not applicable.

5. Investments

D. Loan-Backed Securities

(1) The following table presents the admitted values and estimated fair values of the Company's loan-backed and asset-backed securities at December 31, 2009 and 2008 *(in thousands)*.

NOTES TO FINANCIAL STATEMENTS

	Admitted Value	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
December 31, 2009				
Government sponsored enterprise mortgage-backed securities	**121,457**	**457**	**2,859**	**123,859**
Residential mortgage-backed securities	**35,602**	**4,210**	**18**	**31,410**
Commercial mortgage-backed securities	**4,041**	**43**	**80**	**-** **4,078**
Other asset-backed securities	**2,443**	**-**	**128**	**2,571**
Total bonds	**$ 163,543**	**$ 4,710**	**$ 3,085**	**161,918**

	Admitted Value	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
December 31, 2008				
Government sponsored enterprise mortgage-backed securities	119,106	141	1,762	120,727
Residential mortgage-backed securities	62,655	8,184	103	54,574
Commercial mortgage-backed securities	6,380	913	–	5,467
Other asset-backed securities	3,853	69	212	3,996
Total bonds	$ 191,994	$ 9,307	$ 2,077	184,764

(2) The company records its investment in loan-backed securities using the prospective adjustment method. Prepayment assumptions for single and multi-class mortgage-backed/assets-backed securities are obtained from broker survey values. The company uses IDC to determine the market value for such securities.

(3) See Note 20H *Subprime Related Risk Exposure*

(4) Effective July 1, 2009, the Company adopted SSAP No. 43R as discussed in *Note 2 Accounting Changes and Corrections of Errors.* For the year ended December 31, 2009, the Company recognized $1,647,000 of OTTI in mortgage-backed securities that the Company has the intent to hold but does not expect to recover the entire amortized cost basis of the securities (present value of cash flows expected to be collected is less than the amortized cost basis of the securities).

(5) The following tables list each security at the CUSIP level, currently held by the Company, where the present value of cash flows expected to be collected is less than the amortized cost basis as of the respective quarter-end *(in thousands)*:

For the quarter ended September 30, 2009

CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value
02151A-AJ-9	$ 746	$ 456	$ 290	$ 456	$ 456
Total for the quarter ended September 30, 2009	**$ 746**	**$ 456**	**$ 290**	**$ 456**	**$ 456**

For the quarter ended December 31, 2009

CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value
02151A-AJ-9	$ 466	$ 300	$ 166	$ 300	$ 300
02148Y-AC-8	1,941	1,662	279	1,662	1,675
16165T-BM-4	4,748	4,672	76	4,672	4,624
87222E-AC-2	2,545	2,076	469	2,076	2,073
87222P-AC-7	999	878	121	878	493
Total for the quarter ended December 31, 2009	**$ 10,699**	**$ 9,588**	**$ 1,111**	**$ 9,588**	**$ 9,165**

NOTES TO FINANCIAL STATEMENTS

(6) The following table shows the gross unrealized losses and fair value of the Company's mortgage-backed securities with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009 and 2008 (*in thousands*).

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2009					
Government sponsored enterprise mortgage-backed securities	$43,407	$457	-	-	457
Residential mortgage-backed securities	4,701	66	24,694	4,143	4,209
Commercial mortgage-backed securities	-	-	1,612	43	43
Total mortgage-backed securities	**$48,108**	**$523**	**$26,306**	**$4,186**	**$4,709**

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2008					
Government sponsored enterprise mortgage-backed securities	$15,531	$140	$267	$1	$141
Residential mortgage-backed securities	29,397	6,832	7,701	1,504	8,336
Commercial mortgage-backed securities	4,559	674	908	87	761
Other asset-backed securities	2,045	69	-	-	69
Total mortgage-backed securities	**$51,532**	**$7,715**	**$8,876**	**$1,592**	**$9,307**

(7) See Note 1 Accounting Policy – Investments

(8) The Company was able to estimate fair value in accordance with SSAP No. 27.

E. Repurchase Agreements and/or Securities Lending Transactions

Prior to 2009, the Company participated in securities lending transactions whereby the Company lent investments in exchange for collateral. The Company had no securities on loan as of December 31, 2009 and 2008; however, it intends to re-establish its securities lending program at some point in the future.

6. Joint Ventures, Partnerships and Limited Liability Companies

Not applicable.

7. Investment Income

A. Investment income due and accrued is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2009 and 2008.

8. Derivative Instruments

None

9. Income Taxes

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, and Capital and Surplus are as follows:

	Dec. 31, 2009	Dec. 31, 2008
Total of gross deferred tax assets	$15,498,860	$12,993,386
Total of deferred tax liabilities	(3,148,472)	(7,054)
Net deferred tax asset	12,350,388	12,986,332
Deferred tax asset nonadmitted	(5,293,023)	(7,749,517)
Net admitted deferred tax asset	7,057,366	5,236,815
(Increase) decrease in nonadmitted asset	$2,456,494	$(7,749,517)

NOTES TO FINANCIAL STATEMENTS

In accordance with SSAP 10-R below represents the components of the net deferred tax asset recognized in the Company's financial statements by tax character as of December 31, 2009.

	Capital	Operating	TOTAL
Total of gross deferred tax assets	0	15,498,860	15,498,860
Total of deferred tax liabilities	(2,779,466)	(369,006)	(3,148,472)
Net deferred tax asset	(2,779,466)	15,129,854	12,350,388
Deferred tax asset nonadmitted	0	(5,293,023)	(5,293,023)
Net admitted deferred tax asset	(2,779,466)	9,836,831	7,057,365

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows: principally as a result of the 833(b) deduction and mark-up for intercompany services.

The Company is included in a consolidated federal income tax return of CareFirst, Inc. The Company has a written agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity, which is a party to the consolidation. The agreement calls for an allocation based on the Company's pre-tax income after affecting for permanent differences at the alternative minimum tax rates. The federal tax allocation for both 2009 and 2008 was 20 percent of pre-tax income after permanent differences. These amounts are included in provision for income taxes in the accompanying statements of revenue and expenses --statutory basis.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Historically, the operations and administrative functions of the Company have been provided by CFMI and GHMSI. These services have been charged to the Company based on the costs incurred by CFMI and GHMSI, respectively. In 2008, CFMI and GHMSI performed a review and analysis of certain intercompany transactions with the Company for the years ended December 31, 2008. Through this analysis, CFMI and GHMSI concluded that these services should be charged with a profit mark-up. The Company performed this review of its intercompany transactions after the 2007 financial statements were issued, but prior to the filing of the 2007 tax return. For the years ended December 31, 2009 and 2008, the Company was charged $18,109,000 and $18,500,000, respectively, for which both years are reflected in the 2009 and 2008 income tax provision (benefit). Under statutory accounting, the Company did not reflect these amounts in the financial statements, for the year ended December 31, 2008 which results in a decrease to the Company's effective tax rate for that year.

The Company files separate state income tax returns and records its tax provision or benefit accordingly. The Company recorded state income tax expense (benefit) of $976,800 and (705,529) for the period ended December 31, 2009 and December 31, 2008, respectively.

10. Information Concerning Parent, Subsidiaries and Affiliates

CareFirst BlueChoice, Inc. (CFBC or the Company) is a state-licensed health maintenance organization (HMO) that provides managed health care products and services to individuals and to employees of business and governmental agencies in the Washington, D.C. metropolitan area and the State of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers.

The Company is 60% owned by CareFirst of Maryland, Inc. (CFMI) and 40% owned by Group Hospitalization and Medical Services, Inc. (GHMSI). GHMSI and CFMI are both affiliates of a not-for-profit parent company, CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield.

In 2005, the CFI Board also approved certain proposed changes regarding the governance structure of CFI, CFMI and GHMSI. In 2006, all required regulatory and BlueCross BlueShield Association (BCBSA) approvals were obtained to permit the restructuring that creates parity between CFMI and GHMSI, as to their representation on CFI's Board. Management believes that these changes did not materially impact CFI's control over CFMI or GHMSI.

Effective September 20, 2007, the Company formed a new subsidiary called The Dental Network, Inc. to meet the regulatory requirements of selling freestanding dental products in the State of Maryland. In March 2008, The Dental Network, Inc. obtained a license to sell insurance products in the state of Maryland from the Maryland Insurance Administration.

The Company has an operating relationship with GHMSI and CFMI whereby GHMSI and CFMI provide a portion of its administrative and corporate services, for which expenses are allocated to the Company under a management agreement. Total charges for all services provided by GHMSI and CFMI were $150,802,000 and $129,489,000 during the years ended December 31, 2009 and 2008, respectively.

Rent expense amounts allocated from its affiliates for the years ended December 31, 2009 and 2008, for all operating leases, was $6,796,000 and $6,625,000, respectively.

The Company has arrangements with brokers through GHMSI. Under these arrangements GHMSI pays broker commissions and incentives and allocates a portion of these amounts to the Company based upon relevant statistics. Total broker fees allocated to the Company were $130,216,000 and $119,177,000 for the years ended December 31, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS

For certain fully insured point-of-service health care programs, the Company bears all of the in-network (HMO) underwriting risk and GHMSI bears the out-of-network (indemnity) underwriting risk. Cost of care for these products is charged directly to the Company and GHMSI based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company and GHMSI based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums, is shared equally between the two companies. Total premiums recorded by the Company for the programs were $21,639,000 and $16,323,000 for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009, the Company reported $18,789,000 and $12,442,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

None.

12. Retirement Plans and Other Post-retirement Benefit Plans

Not applicable.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company has 25,000 shares authorized; 10,000 shares are issued and outstanding. The Company has no preferred stock outstanding.

The portion of unassigned funds represented by cumulative net unrealized gains is $7,094,000.

14. Contingencies

CFI and its affiliates have employment contracts and other benefit arrangements with certain executives which contain provisions that could trigger the acceleration of certain benefits and/or payment of additional compensation. Such acceleration occurs upon termination of employment without cause or for “good reason” as defined in the contract. Additional acceleration occurs if said termination occurs “in connection with a change of control.” Potential incremental payments related to sums owed for a termination in connection with a change of control have not been accrued as of December 31, 2009 or 2008, as the Company believes that the relevant triggering events have not occurred.

Various other lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records accruals for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying consolidated financial statements; however, there can be no assurance in this regard.

In the jurisdictions in which the Company is licensed to conduct business, associations have been created for the purpose, among others, of protecting insured parties under health insurance policies. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations.

The Company, through CFI, operates under licensing agreements with BCBSA, whereby the Company uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA.

CFMI and GHMSI have entered into an intercompany agreement that requires CFMI or GHMSI, or their respective subsidiaries, to provide the financial resources necessary to satisfy the respective regulatory reserve requirement, subject to specific limitations, if either CFMI or GHMSI or their respective subsidiaries fail to meet or maintain their respective regulatory reserve requirement as required by law, or if such transfer of financial resources is needed to satisfy any other legally enforceable obligation.

The Company’s professional liability coverage is on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The claims-made policy has been renewed through November 1, 2010.

The Company insures individuals who are qualified Medicare beneficiaries. Medicare law identifies the primary payer and secondary payer of claims when individuals are insured by both the Company and Medicare. Principally as a result of information systems programming errors, the Company incorrectly paid certain claims in years prior to 2009 as the secondary payer rather than as the primary payer. The issues were communicated to the Centers for Medicare and Medicaid Services (CMS) in May 2009. The Company has implemented corrective measures to (1) correctly identify Medicare beneficiaries that should be paid primary and (2) modify information systems to correctly adjudicate claims on behalf of Medicare beneficiaries. Based on its interpretation of Medicare law, the Company believes it is liable for improperly processed claims for the period from January 1, 2006 to December 31, 2008. The Company has provided CMS with the data of the incorrectly paid claims and offered to settle its obligations to CMS for approximately $19 million. Accordingly, CFI has recorded a liability of $19,044,000 at December 31, 2009 for this proposed settlement, of which $6,888,000 has been recorded by the Company, which is included in general expenses due or accrued in the accompanying balance sheets—statutory basis. The settlement remains subject to government approval. While there can be no assurances that the settlement will be accepted, or that CMS will accept the Company’s legal interpretation that Medicare law limits its liability in this matter to the Company’s proposed settlement amount, the Company’s management, after consultation with legal counsel, does not believe the final resolution of this matter will result in additional material liabilities to the Company.

15. Leases

Not applicable.

NOTES TO FINANCIAL STATEMENTS

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Not applicable.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Other Items

(A) Extraordinary Items

Not applicable

(B) Troubled Debt Restructuring: Debtors

Not applicable

(C) Other Disclosures

Not applicable

(D) Uncollectible Balances

Not applicable

(E) Business Interruption Insurance Recoveries

Not applicable

(F) State Transferable Tax Credits

Not applicable

(G) Hybrid Securities

Not applicable

(H) Subprime Related Risk Exposure

(1) The Company categorizes mortgage securities with an average FICO score of less than 675 (credit score) as a subprime mortgage security. The Company has no subprime mortgage securities as of December 31, 2009.

(2) The Company does not engage in mortgage lending and therefore has no direct exposure through investments in subprime mortgage loans.

(3) The Company has no exposure in subprime mortgage lending through its fixed maturity and equity investments.

21. Events Subsequent

There have been no events occurring subsequent to the close of the books or accounts for this statement that would have a material effect on the financial condition of the Company.

22. Reinsurance

The Company maintains a reinsurance agreement with GHMSI and CFMI providing stop-loss coverage for inpatient hospital claims. This coverage does not have an expiration date.

NOTES TO FINANCIAL STATEMENTS

Effective April 1, 2008, the Company entered into a quota-share reinsurance agreement with The Dental Network, Inc. Under the terms of the agreement, the Company assumes all underwriting risk on the business written by The Dental Network, Inc. The Company assumed risk premiums in the amount of $9,478,000 and $8,028,000 and incurred an underwriting gain (loss) in the amount of $1,254,000 and ($282,000) for the years ended December 31, 2009 and December 31, 2008, respectively.

23. Retrospectively Rated Contracts

Not applicable.

24. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2009, $126,138,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $2,183,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $20,901,000 favorable prior year development since December 31, 2008 to December 31, 2009. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

25. Intercompany Pooling Arrangements

Not applicable.

26. Structured Settlements

Not applicable.

27. Health Care Receivables

Pharmacy Rebates receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2009	$5,279,157	$5,279,157	$ –	$ –	$ –
9/30/2009	5,279,157	5,279,157	1,937,441	–	–
6/30/2009	5,303,270	5,303,270	5,295,076	68	–
3/31/2009	5,086,920	5,086,920	5,047,019	12,350	143
12/31/2008	$5,010,438	$5,010,438	$4,957,988	$ 109	$ –
9/30/2008	4,916,739	4,916,739	4,841,281	(4,130)	–
6/30/2008	4,989,068	4,989,068	4,643,545	250,382	6,173
3/31/2008	4,546,773	4,546,773	4,402,409	59,988	137
12/31/2007	$ 4,707,928	$ 4,707,928	$ 3,070,200	$ 1,679,754	$ –
9/30/2007	4,378,273	4,378,273	3,628,924	722,018	–
6/30/2007	4,353,211	4,353,211	4,150,067	201,964	3,137
3/31/2007	4,052,483	4,052,483	4,033,789	10,156	(17,302)

28. Participating Policies

Not applicable.

29. Premium Deficiency Reserve

Not applicable.

30. Salvage and Subrogation

The following discloses the estimated salvage and subrogation used in computing the Company's unpaid claims liability:

Year Incurred	Amount
2008	$2,011,000
2009	$1,924,000

NOTES TO FINANCIAL STATEMENTS

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? District of Columbia

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/25/2009

3.4 By what department or departments? District of Columbia Department of Insurance, Securities and Banking

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control 0.0

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG, LLP, 621 EAST PRATT STREET BALTIMORE, MD 21202

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
PAULA HOLT, FSA, MAAA, ASSOCIATE VICE PRESIDENT, ACTUARY, 10455 MILL RUN CIRCLE, OWINGS MILLS, MD 21117

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved 0

11.13 Total book/adjusted carrying value $ 0

11.2 If yes, provide explanation

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States Trustees of the reporting entity?
Not applicable

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g. Generally Accepted Accounting Principles)? Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers $ 0
- 18.12 To stockholders not officers $ 0
- 18.13 Trustees, supreme or grand (Fraternal only) $ 0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers $ 0
- 18.22 To stockholders not officers $ 0
- 18.23 Trustees, supreme or grand (Fraternal only) $ 0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others $ 0
- 19.22 Borrowed from others $ 0
- 19.23 Leased from others $ 0
- 19.24 Other $ 0

20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment $ 0
- 20.22 Amount paid as expenses $ 0
- 20.23 Other amounts paid $ 0

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [ ] No [X]

22.2 If no, give full and complete information, relating thereto

Special Deposit

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided).

N/A

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]

22.5 If answer to 22.4 is yes, report amount of collateral. $

22.6 If answer to 22.4 is no, report amount of collateral. $

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements $
- 23.22 Subject to reverse repurchase agreements $
- 23.23 Subject to dollar repurchase agreements $
- 23.24 Subject to reverse dollar repurchase agreements $
- 23.25 Pledged as collateral $
- 23.26 Placed under option agreements $
- 23.27 Letter stock or securities restricted as to sale $
- 23.28 On deposit with state or other regulatory body $
- 23.29 Other $ 673,000

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes [ ] No [ ] N/A [X]

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [X] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year. $ 2,729,851

GENERAL INTERROGATORIES

26. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No [ ]

26.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
SUNTRUST BANK	1445 NEW YORK AVE. WASHINGTON, DC 20005

26.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]
26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
15958	VANGUARD	P.O. BOX 2900, VALLEY FORGE, PA. 19482-2900
104596	DODGE AND COX	55 CALIFORNIA ST',SAN FRANCISCO, CA. 94104
107105	BLACKROCK INVESTMENT ADVISORS	1111 EAST WARRENVILLE RD., NAPERVILLE, IL. 60563-1493
10578	CALAMOS INVESTMENTS	1 LINCOLN ST., BOSTON, MA. 02111

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No [ ]
27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2001. 922908-88-4	Vanguard Extended Market Index Fund	9,711,274
27.2002. 922040-10-0	Vanguard Institutional Index Fund	14,153,470
27.2003. 921909-80-0	Vanguard Institutional Develop Markets Index Fund	12,496,898
27.2999 TOTAL		36,361,642

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Extended Market Index	Visa Inc.	147,514	12/31/2009
Vanguard Extended Market Index	Bunge Ltd.	39,913	12/31/2009
Vanguard Extended Market Index	Crown Castle Intl.	37,388	12/31/2009
Vanguard Extended Market Index	Mosaic Co.	36,611	12/31/2009
Vanguard Extended Market Index	NRG Energy	35,543	12/31/2009
Vanguard Institutional Index	Exxon Mobil Corp.	497,919	12/31/2009
Vanguard Institutional Index	Microsoft Corp.	303,026	12/31/2009
Vanguard Institutional Index	GE Corp.	263,538	12/31/2009
Vanguard Institutional Index	JP Morgan Chase	260,141	12/31/2009
Vanguard Institutional Index	Proctor and Gamble Co	255,329	12/31/2009

GENERAL INTERROGATORIES

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Institutional Develop Fund	HSBC Holding	248,438	12/31/2009
Vanguard Institutional Develop Fund	BP PLC	205,324	12/31/2009
Vanguard Institutional Develop Fund	Nestle SA	194,577	12/31/2009
Vanguard Institutional Develop Fund	Banco Santander SA	165,084	12/31/2009
Vanguard Institutional Develop Fund	Total SA	158,961	12/31/2009

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	526,091,047	528,955,235	2,864,188
28.2 Preferred stocks	2,834,916	2,807,308	(27,608)
28.3 Totals	528,925,963	531,762,543	2,836,580

28.4 Describe the sources or methods utilized in determining the fair values:

Custodian Bank

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No [ ]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [ ]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

30.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? $ 754,100

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association	$ 507,834

32.1 Amount of payments for legal expenses, if any? $ 0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	$
	$
	$

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	$
	$
	$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U. S. business only $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 1,874,053,738	$ 1,743,313,552
2.2	Premium Denominator	$ 1,874,053,739	$ 1,743,313,552
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	$ 145,644,950	$ 161,845,364
2.5	Reserve Denominator	$ 145,644,950	$ 161,845,364
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

5.2 If no, explain:

Aggregate level only (see attachment for details)

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical $ 0

5.32 Medical Only $ 0

5.33 Medicare Supplement $ 0

5.34 Dental and Vision $ 0

5.35 Other Limited Benefit Plan $ 0

5.36 Other $ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Intercompany Support Agreement from Carefirst of Maryland, Inc and Group Hospitalization and Medical Services, Inc.

7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

7.2 If no, give details:

8. Provide the following Information regarding participating providers:

8.1 Number of providers at start of reporting year 25,568

8.2 Number of providers at end of reporting year 27,464

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No [ ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months 0

9.22 Business with rate guarantees over 36 months 0

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes [ ] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses $

10.22 Amount actually paid for year bonuses $

10.23 Maximum amount payable withholds $

10.24 Amount actually paid for year withholds $

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or, Yes [X] No [ ]

11.14 A Mixed Model (combination of above) ? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]

11.3 If yes, show the name of the state requiring such net worth. District of Columbia

11.4 If yes, show the amount required. $ 86,987,116

11.5 Is this amount included as part of a contingency reserve in stockholders equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation.

12.1 List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
State of Maryland
District of Columbia
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County and the areas of Fairfax and Prince William Counties in Virginia lying east of Route 123

13.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date. $

Question 5.2 Explanation for stoploss reinsurance

Under the current terms of the contract, BlueChoice will pay claims in excess of a 105% loss ratio through a self-administered Annual Experience Fund. The Annual Experience Fund is created from the reinsurance premiums, which are currently $25,000. If stop loss claims (i.e., claims over a loss ratio of 105%) are greater than the Annual Experience Fund, CFMI and GHMSI will be liable for the deficit. CFMI and GHMSI will share the liability for the deficit based upon their respective ownership percentage of BlueChoice at the beginning of the calendar year.

Question 11.6 Minimum net worth requirements

Under the laws of the District of Columbia, the Company is required to maintain a minimum net worth (Surplus) of $86,987,116 at December 31, 2009. This minimum net worth (Surplus) is calculated as the greater of:

(A) $1,000,000;

(B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first $150,000,000 of dues and 1% of annual dues on the dues in excess of $150,000,000:

(C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or

(D) An amount equal to the sum of:

(i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and

(ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

(A) $1,000,000

(B) $20,266,913

(C) $20,828,341

(D) $86,987,116 (greatest amount)

Under the code of Maryland, the Company is required to maintain a surplus that exceeds the liabilities in an amount that is at least equal to the greater of $750,000 or 5 percent of the subscription charges earned during the prior calendar year (not to exceed $3,000,000) as recorded in the annual report filed with the Commissioner. At December 31, 2009, the minimum surplus requirement is $3,000,000.

Under the code of Virginia, the Company is required to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than $600,000, up to a maximum of $4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission. At December 31, 2009, the minimum surplus requirement is $4,000,000.

FIVE - YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	709,224,997	645,508,455	623,745,329	520,171,520	453,250,677
2. Total liabilities (Page 3, Line 22)	238,488,527	238,833,072	224,324,025	194,512,096	199,618,660
3. Statutory surplus	86,987,116	84,203,099	73,058,919	64,952,497	61,657,751
4. Total capital and surplus (Page 3, Line 31)	470,736,470	406,675,383	399,421,304	325,659,424	253,632,017
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,876,754,874	1,746,415,767	1,588,632,329	1,404,054,515	1,285,226,181
6. Total medical and hospital expenses (Line 18)	1,518,304,942	1,462,469,755	1,259,260,239	1,120,546,754	1,051,450,596
7. Claims adjustment expenses (Line 20)	65,806,617	54,772,752	46,867,230	40,032,299	41,323,212
8. Total administrative expenses (Line 21)	267,012,449	222,550,634	202,550,860	178,699,887	173,518,159
9. Net underwriting gain (loss) (Line 24)	25,630,866	6,622,626	79,954,000	64,775,575	18,934,214
10. Net investment gain (loss) (Line 27)	29,709,908	11,501,878	0	16,884,166	20,744,344
11. Total other income (Lines 28 plus 29)	1,257,243	(940,277)	129,018	(617)	74,618
12. Net income (loss) (Line 32)	48,411,218	19,312,560	80,599,322	64,586,970	33,098,441
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	15,818,841	45,640,000	84,719,518	57,771,524	49,290,690
Risk-Based Capital Analysis					
14. Total adjusted capital	470,736,470	406,675,383	399,421,304	325,659,424	253,632,017
15. Authorized control level risk-based capital	56,205,750	55,151,892	48,453,502	42,964,993	40,322,556
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	533,181	566,437	656,623	450,060	446,347
17. Total member months (Column 6, Line 7)	6,452,603	6,999,903	7,620,204	5,279,763	5,250,603
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	80.9	83.7	79.2	79.8	81.8
20. Cost containment expenses	0.9	0.7	0.8	0.9	0.9
21. Other claims adjustment expenses	2.6	2.3	2.0	1.9	2.2
22. Total underwriting deductions (Line 23)	98.6	99.6	94.9	95.3	98.5
23. Total underwriting gain (loss) (Line 24)	1.3	0.3	5.0	4.6	1.4
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	128,320,977	120,346,609	97,928,939	107,820,763	79,697,568
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	149,221,780	123,281,887	120,266,238	119,898,022	95,004,231
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24 Col. 1)	4,193,559	3,624,931	2,654,677	2,979,205	2,892,331
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		0	0	0	0
32. Total of above Lines 26 to 31	4,193,559	3,624,931	2,654,677	2,979,205	2,892,331

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

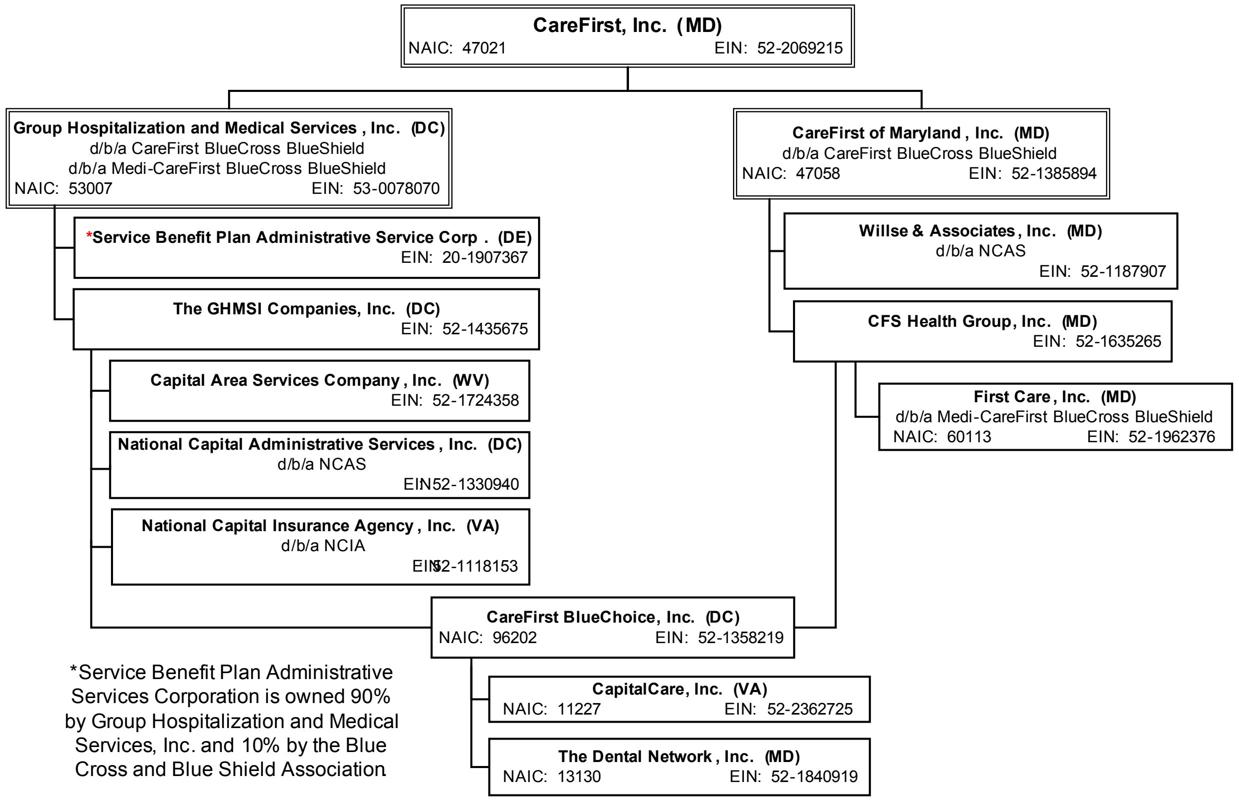
	1	Direct Business Only							
State, Etc.	Active Status	2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama AL	N							0	0
2. Alaska AK	N							0	0
3. Arizona AZ	N							0	0
4. Arkansas AR	N							0	0
5. California CA	N							0	0
6. Colorado CO	N							0	0
7. Connecticut CT	N							0	0
8. Delaware DE	N							0	0
9. District of Columbia DC	L	191,284,455			110,213,436			301,497,891	0
10. Florida FL	N							0	0
11. Georgia GA	N							0	0
12. Hawaii HI	N							0	0
13. Idaho ID	N							0	0
14. Illinois IL	N							0	0
15. Indiana IN	N							0	0
16. Iowa IA	N							0	0
17. Kansas KS	N							0	0
18. Kentucky KY	N							0	0
19. Louisiana LA	N							0	0
20. Maine ME	N							0	0
21. Maryland MD	L	1,344,428,117						1,344,428,117	0
22. Massachusetts MA	N							0	0
23. Michigan MI	N							0	0
24. Minnesota MN	N							0	0
25. Mississippi MS	N							0	0
26. Missouri MO	N							0	0
27. Montana MT	N							0	0
28. Nebraska NE	N							0	0
29. Nevada NV	N							0	0
30. New Hampshire NH	N							0	0
31. New Jersey NJ	N							0	0
32. New Mexico NM	N							0	0
33. New York NY	N							0	0
34. North Carolina NC	N							0	0
35. North Dakota ND	N							0	0
36. Ohio OH	N							0	0
37. Oklahoma OK	N							0	0
38. Oregon OR	N							0	0
39. Pennsylvania PA	N							0	0
40. Rhode Island RI	N							0	0
41. South Carolina SC	N							0	0
42. South Dakota SD	N							0	0
43. Tennessee TN	N							0	0
44. Texas TX	N							0	0
45. Utah UT	N							0	0
46. Vermont VT	N							0	0
47. Virginia VA	L	218,735,795						218,735,795	0
48. Washington WA	N							0	0
49. West Virginia WV	N							0	0
50. Wisconsin WI	N							0	0
51. Wyoming WY	N							0	0
52. American Samoa AS	N							0	0
53. Guam GU	N							0	0
54. Puerto Rico PR	N							0	0
55. U.S. Virgin Islands VI	N							0	0
56. Northern Mariana Islands MP	N							0	0
57. Canada CN	N							0	0
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	1,754,448,367	0	0	110,213,436	0	0	1,864,661,803	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 3	1,754,448,367	0	0	110,213,436	0	0	1,864,661,803	0
DETAILS OF WRITE-INS									
5801.	XXX							0	
5802.	XXX							0	
5803.	XXX							0	
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.: Enrollment and billing systems capture and report premiums by group situs.

(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



*Service Benefit Plan Administrative Services Corporation is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)